

FROM:

ROUTING AND RECORD SHEET

Accession No.

Date Rec'd. SA.....

Frank J. Ryan 12/12/44

To	Room No.	Date		Officer's Initials	Comments
		Rec'd.	Fwd'd.		
1. <i>Mr. Hull</i>				RA	<i>Mr. Read thought you</i>
2. <i>Mr. Shepardson</i>				<i>MD</i>	<i>Might want to show this</i>
3. <i>1 RA</i>				<i>1RH</i>	<i>to Mr. Carson.</i>
4.					
5.					<i>Holds against date</i>
6.					<i>of my appointment</i>
7.					<i>with Army</i>
8.					
9.					
10.					

Each comment should be numbered to correspond with number in To column.

A line should be drawn across sheet under each comment.

Officer Designations should be used in To column.

Each Officer should initial (check mark insufficient) before further routing.

Action desired or action taken should be indicated in Comments column.

Routing sheet should always be returned to Registry.

For Officer Designations see separate sheet.

R003-1219

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

MEMORANDUM

December 19, 1944

TO: Mr. Whitney H. Shepardson
FROM: Frank T. Ryan
SUBJECT: Problems Confronting our Spanish Mission

With further reference to my memorandum of December 14 in which I placed before you the make-up of the personnel presently representing us in Spain, I wish to elaborate in more detail the aspects of several problems confronting us as regards our operations there.

The extent to which the flow of intelligence information from Spain has decreased may be illustrated by citing the number of pouch reports received in November -- 20. They are divided as follows:

Spanish political	7
Spanish economic	2
German political	2
German economic	1
French political	3
French economic	1
French military (Maquis)	1
Japanese political	2
Italian political	1

Furthermore, we have received only one intelligence report by cable since October 20 and only five since September 7.

Aside from the voluminous battle order reporting done on German positions in France prior to the invasion which reached a high in June of 839 pouch reports and 34 cable reports, the real reason for the falling off of reports from Spain almost to the vanishing point dates back to the ratification of the Madrid Agreement in November 1943, which specifically excludes direct intelligence in Spain as per the following clause:

"So far as direct intelligence from Spain is concerned, SI operations will cover only such intelligence as may be requested

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or agreed to by the Ambassador and the Military and Naval Attaches, or be required by the Joint Chiefs of Staff with the concurrence of the State Department."

As we know, the Ambassador has always been unsympathetic to the operations of OSS in and from Spain, which may explain why he never once, to my knowledge, requested on his own initiative information to be gathered through OSS sources. The one possible exception to his refusal to accept the services of SI in Spain was the Wolfram reporting done by 703 from his post in La Coruna, which reporting was done under the close supervision and cooperation of the Embassy's Commercial Attache.

The point I wish to emphasize in the passage quoted above is that it was responsible for the initiative for Spanish intelligence passing out of our hands into the hands of Mr. Hayes who, in turn, simply defaulted on his prerogative, leaving our Spanish Mission "high and dry" for assignments.

Our present Spanish SI set-up, as outlined in my letter of December 14, therefore, is analagous to the proverbial "cart before the horse". We have an office staff including a code clerk, a microfilm expert, and a finance officer, but there are no messages to code, no reports to microfilm, and no agents to pay. What we need first and foremost in Spain are agents. But there is no need in having agents unless we have authority for them to organize for the penetration of the spheres of our interest, namely, political, military, economic, social, etc. This we cannot do under the present Madrid Agreement.

Now that Ambassador Hayes has resigned, it would be an ideal time to consider drastically revising our policy of operating in Spain to the extent of scrapping this Agreement, for under its limitations we simply cannot operate (for reasons refer to my memorandum of November 16, 1943). The first thing which should be done, therefore, would be to have a frank discussion with the new Ambassador, Mr. Armour, reminding him of the value and usefulness of a secret intelligence service in Spain, enlisting his endorsement of the collection of information through our sources on military, political, economic, and social matters within Spain. Having obtained his agreement in principle we should then concentrate on recruiting for sending to Spain private cover representatives -- very

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few in number but well chosen -- for the purpose of organizing Spanish chains to penetrate into the various spheres of our interest.

However, before going ahead with a plan of this kind, the principle of how Spain could be best covered by secret intelligence must be decided. There seems to be a prevalent belief here in OSS that intelligence operations in Spain should be based not in Madrid but in Lisbon and Southern France. The proponents of this system seem to me to be confusing "communications" with "operations". It is my opinion that the only way that intelligence can be gathered in Spain is by having operators in Spain, not in Lisbon. They, likewise, should be directed from Spain. If, for certain reasons, it is considered advisable to route the information gathered by these operators to Lisbon for transmission to Washington there could be no valid objection to such a procedure. This, however, represents a "communications" problem and not an "operations" problem. If Ambassador Armour is going to be sympathetic and wholeheartedly in support of our activities in Spain (at the same time keeping himself aloof from the actual operations themselves) then there is no reason why the transmissions could not continue to take place from the Embassy in Madrid.

In a Europe that is seething with intrigue and with a number of plots being hatched in connection with Spain from various elements including Monarchists, Socialists, Separatists and Communists, the American Government should well know by now from sad experience the vital importance of being informed on the plans, preparations, and personnel of these movements. It seems to me that intimate knowledge of the activities of the Communists in Spain should be of major interest to the State Department. The Communist pattern presently taking shape in Greece, Italy, and the Balkan countries, in fact all over Europe, should make it imperative that no stone should be left unturned to keep abreast of their day to day movements. This can best be accomplished in the case of Spain by infiltrating into their ranks agents of our own choosing.

The Communistic issue may some day become a decisive one for the State Department. I believe it the duty of an intelligence organization such as ours to look ahead as far as possible and anticipate future events by having them well covered in advance of their happening.

We know, of course, the value that secret intelligence will play in Spain in tracking down projects coming under the heading of Safe Haven.

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The stability of the Spanish currency may be questioned and the ultimate devaluation of the peseta is a matter of time. If, for example, the Treasury had advance notice of the date and extent of devaluation it no doubt could make capital use of such information. Even after devaluation foreign governments oftentimes resort to various subterfuges in order to stimulate their flow of exports over and above the benefits derived from devaluation, thereby circumventing our anti-dumping laws.

Another aspect of importance of Spain for intelligence purposes has to do with South America where the political and economic happenings vis-a-vis the two cannot be minimized.

I, likewise, believe it would be of prime interest for our Government to be informed of any secret understandings or commitments be they in the military, political or economic fields which the British or French Governments now or in the future may have with Spain. I do not believe we should automatically assume that we are being kept "au courant" by our Allies as to their policy towards other regions and countries of Europe. Rather is it up to this country to install its own checking system throughout the world so that we will not be completely dependent on information "volunteered" us by our Allied friends.

All of the foregoing, however, can only be accomplished by organized, clandestine methods enabling a proper compilation to be made of unknown or purposely hidden facts upon which our Government may take appropriate action consistent with our National interest.

In discussing our affairs with Mr. Armour, it would be well to inform him that he will undoubtedly hear some points of criticism of our organization, not only from Mr. Hayes but also from the present Counselor, Walton Butterworth, whom I am reliably informed, is not too keen about us, and is particularly antagonistic to Argus. I think it advisable to discuss this Embassy viewpoint with him quite frankly so that when he arrives in Madrid he will not be greeted with information that he had not previously been informed about.

In conclusion, my one plea and hope is that it will be possible to either void entirely the Madrid Agreement or modify it to the important extent of permitting us to organize within Spain for the collection of secret intelligence on military, political, social, and economic subjects, for without such a clearance it is farcial even to keep the skeleton group we presently have over there.

FR
F. T. R.

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